ABSTRACT

Interaction or interdependence among markets has a vital role in terms of predictability, portfolio diversification, and asset allocation. In theory, capital gains can be achieved by utilizing international portfolio diversification if stock returns in the different markets are not perfectly correlated. However, in 2013, the Central Bank of America (i.e., the Fed) reduced the number of asset purchases called Quantitative Easing, which caused developing countries to decrease in stock returns at the end of 2013. However, this is not the case with Malaysia. In converse, Singapore, which is a developed country, was affected. This discrepancy raises the question of whether or not there is cointegration among ASEAN-5 countries. Therefore, this research project aims to conduct a cointegration analysis of stock index in ASEAN-5 Countries, China, Japan, and India, both in groups and in pairs in 2015-2019. The method used in this project is the Johansen Cointegration test. The group cointegration test is used to analyze the presence of cointegration among the ASEAN-5 capital markets, China, Japan, and India. Then, the pair cointegration test is used to determine the most dominant capital markets among them. It is found that there is cointegration of stock price indexes in ASEAN-5 countries in 2015-2019. There is also cointegration between ASEAN-5 with China, Japan, and India in 2015-2019. The paired cointegration shows that there is no country that dominates the capital market in Asia in 2015-2019 the most because all pairs are cointegrated.

Keywords: Capital Market, Cointegration, Johansen Cointegration Test, Stock Price Index.